



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Treasury Guidelines
**Preparation of Adjusted Estimates of
National Expenditure**

National Treasury

August 2012

The document is available on the internet at: www.treasury.gov.za/publications/guidelines

1. INTRODUCTION

The aim of the Adjusted Estimates of National Expenditure (AENE) is:

- to provide detailed information on revised spending projections and revised performance projections for the current financial year, as provided for in section 30 of the Public Finance Management Act 1 of 1999 (PFMA);
- to provide mid-year actual expenditure and performance achievements; and
- to relate this information to the information published in the 2012 Estimates of National Expenditure (ENE).

The format for the 2012 AENE publication is similar to previous years and the link with the 2012 ENE chapters will continue to be maintained in:

- selected performance indicators as published in the 2012 ENE with actual achievements up to September 2012; and
- changes in estimated departmental receipts and actual mid-year departmental receipts.

2. IMPORTANT TO NOTE FOR THE 2012 AENE

2.1 AENE database

The database will be provided to departments.

2.2 AENE chapters contents

2.2.1 General

Section 4 of this guideline provides details of how chapters should be written. A separate template for compiling the AENE chapter is provided. Departments should use the formatting style contained in the separate template in order to compile their chapters.

2.2.2 Performance information

Performance indicators should be reported on against the targets reflected in the 2012 ENE. Indicators and targets should be revised only if the outputs will be affected by an adjustment to the budget or a change in the budget programme structure.

2.2.3 Technical assistance

For department specific queries, contact the National Treasury Public Finance Representative responsible for your department.

3. DEADLINES

Departments submit requests for additional funds due to unforeseeable and unavoidable ¹ expenditure	20 August 2012
Departments submit requests for National Treasury's approval for the shifting of funds to follow a function shift	30 August 2012
Departments submit AENE chapter and database: - including requests for unforeseeable and unavoidable expenditure - excluding the expenditure and receipts database and related text - excluding annual performance estimates for the first six months of 2012/13	17 September 2012
Departments submit monthly expenditure reports as at August 2012 (projections must include all adjustments) Deviations reflected in the monthly report must be equal to adjustments reflected in the AENE	14 September 2012
Allocation letters to departments	21 September 2012
Departments that requested additional funds for unforeseeable and unavoidable expenditure submit final updates to AENE chapters and databases (including only approved additional funds as well as the Adjusted Appropriation Bill)	10 October 2012
Departments submit expenditure and receipts in separate database and the monthly expenditure report for September 2012 Departments submit annual performance estimates for first six months of 2012/13	10 October 2012
AENE tabled in Parliament	24 October 2012
Inputs from departments for revised drawings after Adjusted Estimates	9 November 2012

4. HOW TO WRITE THE AENE CHAPTER

Use the instructions below to compile the department's Adjusted Estimates of National Expenditure chapter template.

Numbers style

Use a full stop to separate a number from the decimal numbers denoting the fraction of the number. Provide three numbers after the decimal point, unless any of these are zero.

Use a space to separate thousands.

Example: R75 000 (75 thousand rand) but R10.2 billion (10 billion and 200 million rand)

¹ In accordance with Treasury Regulation 6.6.1, the following will not be considered for approval as unforeseeable and unavoidable expenditure – (a) expenditure that, although known when finalising the estimates of expenditure, could not be accommodated within allocations; (b) expenditure due to unforeseeable and unavoidable tariff adjustments and price increases; and (c) expenditure due to extension of existing services and the creation of new services that are not truly unforeseeable and unavoidable.

Vote [insert vote number]

[Insert department name]

Adjusted budget summary

[The following table will be created from the database.]

2012/13				
R thousand	Main appropriation	Adjusted appropriation	Decrease	Increase
Amount to be appropriated				
<i>of which:</i>				
Current payments				
Transfers and subsidies				
Payments for capital assets				
Payments for financial assets				
Direct charge against the National Revenue Fund				
Executive authority				
Accounting officer				
Website address				

Aim

[Write the aim of the department exactly as it was published in the 2012 Appropriation Act, or as recently approved if it has changed due to a budget programme structure change.]

Changes to programme purposes, objectives and measures

Changes to programme purposes, objectives and measures are published in the AENE to maintain the link between the departments' strategic plan, annual performance plan, main appropriation and the adjusted budget.

The following are adjustments allowed in the AENE process: roll-over of funds, unforeseeable and unavoidable expenditure, virements and shifts, savings declared by departments, funds shifted within votes or between votes to follow a transfer of function, adjustments due to significant and unforeseeable economic and financial events, use of funds in emergency situations in terms of Section 16 of the PFMA, money already announced by the Minister of Finance in the main Budget, self-financing expenditure as well as gifts, donations and sponsorships from the vote.

To complete this section, follow the instructions below for **each** programme on the vote:

Programme [insert programme number]: [insert programme name]

Changed purpose: [insert new purpose]

Changed objectives and measures: [insert new objectives and measures]

[Insert explanation for changes]

Mid-year performance status

To link back to the main appropriation and the 2012 ENE, performance information must be reported in the AENE. This should include:

- recording and explaining any changes to performance indicators and their 2012/13 estimates as published in the 2012 ENE. The changes should be linked to adjustments made to the budget; and
- reporting on the progress in the first six months of the financial year.

In the table, list:

- all the performance indicators published in the 2012 ENE;
- the targets projected for the whole year for each indicator, as published in the 2012 ENE;
- what has been achieved in the first six months of the financial year for each indicator; and
- any changes in the original estimates of performance, due to adjustments to the budget.

[The table below is not in the database. Complete the relevant information in the template provided].

Indicator	Programme	Annual performance		
		Projected for 2012/13 as published in the 2012 ENE	Achieved in the first six months of 2012/13 (April to September)	Changed estimate for 2012/13
As published in the 2012 ENE	Programme linked to the indicator			

Below this table:

- Explain any changes to indicators;
- Explain any changes to performance estimates;
- Discuss mid-year progress, relating this to departmental programmes and outcomes where relevant;
- Explain the impact on performance due to:
 - roll-over of funds,
 - unforeseeable and unavoidable expenditure,
 - virements and shifts,
 - declared savings,
 - funds shifted within votes or between votes to follow a transfer of function,
 - adjustments due to significant and unforeseeable economic and financial events,
 - use of funds in emergency situations in terms of Section 16 of the PFMA,
 - money already announced by the Minister of Finance in the main Budget,
 - self-financing expenditure as well as gifts, donations and sponsorships from the vote.

Adjusted Estimates of National Expenditure 2012

A table on adjusted expenditure is set out in accordance with the categories of expenditure specified in section 30(2) of the PFMA by programme and economic classification.

The main appropriation shows the total amount voted per programme and by economic classification in the *Appropriation Act (2012)*.

The adjustments appropriation consists of a variety of categories:

Roll-overs are unspent funds from the preceding financial year that may be rolled over when activities planned to be completed by the end of that year have not been completed but are close to completion.

Unforeseeable and unavoidable expenditure is expenditure that could not be anticipated at the time of the main budget.

Virements are the utilisation of savings or underspending from amounts appropriated under one main division (programme) towards the defrayment of excess expenditure under another main division (programme) within the same vote.

Funds reallocated between programmes or subprogrammes or economic classification items within the 2012/13 financial year should be expressed as either a **virement** or a **shift**, and should be captured in the database. Explain why funds are not used / spent in a particular programme or subprogramme or economic classification and what these funds will be used for in the programme or subprogramme or economic classification where they are shifted to.

Departments require approval before a virement can take place from either its own Accounting Officer, the National Treasury or from Parliament. The level of approval depends on the nature of the virement. All virements that require approval from National Treasury include those that will:

- Increase the funds appropriated for compensation of employees;
- Increase the funds appropriated for transfers and subsidies to other institutions;
- Introduce a new transfer to other institutions;
- Result in utilising funds that were appropriated for transfers and subsidies to other institutions provided the expenditure will be utilised for the same purpose as that of the main division within the vote in which it was originally appropriated;
- Result in utilising funds that were earmarked by National Treasury in the allocation letter to an institution; and
- Result in utilising funds that were appropriated for payments for capital assets for other categories of expenditure other than for the compensation of employees.

Virements that will require approval from the legislature include those that will:

- Result in utilising funds appropriated for items specifically and exclusively earmarked in an appropriation act;
- Result in utilising funds that amount to more than 8 per cent of the amount appropriated for a programme (shifts between different segments within a programme do not affect the overall amount appropriated for a programme, only virements from a programme effectively reduce the programme budget);
- Result in utilising funds appropriated as transfers and subsidies that could not be approved by the National Treasury; and
- Result in utilising funds appropriated for payments for capital assets for the payment of current assets that could not be approved by the National Treasury.

Virement applications that require the approval of Parliament are tabled in the Adjustments Appropriation Bill and detailed in the Adjusted Estimates of National Expenditure publication with motivations provided.

Shifts are the utilisation of savings or underspending towards the defrayment of increased expenditure within a main division (programme) of a vote between the different segments (sub-programme and economic classification) of the main division (programme). Shifts include the

reallocation of funds incorrectly allocated during the 2012 ENE process.

Declared savings are unspent amounts that departments explicitly indicate they will not require in the current financial year. Any imposed expenditure reductions should be included here.

Other adjustments include:

- **Function shifts:** When functions are shifted to another vote or institution in terms of legislation and/or following the reassignment of responsibility for the functions, the associated assets and liabilities also need to be shifted. Such shifts can also happen between main divisions (programmes) within a vote.
- **Unallocated amounts announced in the main budget:** In certain instances, an amount to be allocated for the three years of the MTEF period for a specific purpose will be announced by the Minister of Finance when the main budget is tabled, but the details of the annual allocations are to be decided later. This is usually when plans have not been finalised in time to decide on the specific allocation amounts for the main budget.
- **Adjustments due to significant and unforeseeable economic and financial events:** When unforeseeable economic and financial events affect the fiscal targets set by the main budget, adjustments may need to be made. Significantly higher inflation than anticipated in budget projections over the MTEF period is an example of such an event.
- **Use of funds in emergency situation:** The Minister of Finance can approve the use of unappropriated funds for spending of an exceptional nature. This happens if postponing the spending to a future parliamentary appropriation would seriously prejudice the public interest. The Minister of Finance must subsequently provide a report to Parliament.
- **Self-financing expenditure** is spending financed from revenue derived from a vote's specific activities. The revenue is paid into the National Revenue Fund. If self-financing expenditure is approved, these funds are allocated to the vote.

Gifts, donations and sponsorships from the vote are also included in the adjustments budget.

Direct charges against the National Revenue Fund are amounts spent in terms of statutes and do not require parliamentary approval, such as expenditure on state debt costs.

The total adjustments appropriation is the sum of all expenditure adjustments by programme and by economic classification. This number may be negative. In most instances this would be because of a virement of funds out of the programme or economic classification, or due to function shifts.

The adjusted appropriation is the total funds available to departments after the adjustments have been appropriated, that is the sum of the main appropriation and any adjustments.

[The table on adjusted expenditure for the vote will be created from the database].

Programme		2012/13						
R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared savings	Other adjustments		
Programme name								
Subtotal								
Direct charge against the National Revenue Fund								
Item								
Total								
Economic classification								
Current payments								
Economic classification item								
Transfers and subsidies								
Economic classification item								
Payments for capital assets								
Economic classification item								
Payments for financial assets								
Total								

[The tables for each programme will be created from the database].

Programme number: Programme name (Table header)

Subprogramme		2012/13						
R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Declared savings	Other adjustments		
Subprogramme name								
Total								
Economic classification								
Current payments								
Economic classification item								
Transfers and subsidies								
Economic classification item								
Payments for capital assets								
Economic classification item								
Payments for financial assets								
Total								

Details of adjustments to Estimates of National Expenditure 2012

Roll-overs – [write full amount: R00.000 million]

- For each programme, explain what the roll-over of funds will be used for.
- There is no need to explain why the roll-over of funds was approved.

Unforeseeable and unavoidable expenditure – [write full amount: R00.000 million]

- For each programme, explain what the unforeseeable and unavoidable expenditure will be used for.

Virements and shifts

- Each virement or shift must be motivated, in both the “FROM” and “TO” columns.
- In the “FROM” column specify what has been reduced. In the “TO” column, specify what the funds will be used for.
- If a shift occurs from “Current Payments” to “Payments for Capital Assets” because items of less than R5000 relating to a capital project have had an increase in prices, to R5000 or more, and therefore must be reclassified, explain that funds were shifted to capital payments due to price increases in the “FROM” column. In the “TO” column, explain that funds were shifted from current payments as items cost more than R5000.
- Mention incorrect classification of items in both the “FROM” and “TO” columns.
- All virements or shifts that require approval from National Treasury or the Legislature must be indicated by means of a footnote, as shown below the table.

[The table for virements and shifts will be extracted from the database]. Example:

Programmes					
1. Programme name					
2. Programme name					
FROM:			TO:		
Programme by economic classification	Motivation	R thousand	Programme by economic classification	Motivation	R thousand
Programme 1		(12 656)	Programme 1		12 656
Compensation of employees	Non-critical posts at head office were not filled	(12 656)	Goods and services	For shortfall in ...	12 545
			Machinery and equipment	For office equipment such as photocopiers	111
Shifts within the programme as percentage of programme budget		0.1%			
Virements to other programmes as percentage of programme budget		0%			
Programme 2		(130 000)	Programme 2		20 000
Machinery and equipment	Funds earmarked for the new passport system were reclassified ²	(130 000)	Goods and services	For shortfall in ...	20 000
			Programme 3		110 000
			Departmental agencies and accounts	Government printing works for new passport system	110 000
Shifts within the programme as percentage of programme budget		0.1%			
Virements to other programmes as percentage of programme budget		0.6%			
Programme 3		(233 430)	Programme 2		233 430
Software and other intangible assets	Funds earmarked for HANIS Smart ID Card was reclassified	(213 430)	Goods and services	HANIS Smart ID card	205 430
	Funds earmarked for new passport system was reclassified ¹	(20 000)		New client contact centre	8 000
				New passport system	20 000
Shifts within the programme as percentage of programme budget		0%			
Virements to other programmes as percentage of programme budget		0.3%			
Total		(376 086)			376 086

1. Only the legislature may approve this virement in terms of the Public Finance Management Act, (Act 1 of 1999).

2. National Treasury approval has been obtained.

Other adjustments – [write full amount: R00.000 million]

Expenditure already announced in the main Budget speech of the Minister of Finance but not allocated at that stage

Programme [insert programme number]: [insert programme name]

Additional funding of R00.000 million has been allocated to cover costs related to [explain what the funds will be used for].

Adjustments due to significant and unforeseeable economic and financial events

Programme [insert programme number]: [insert programme name]

Additional funding of R00.000 million has been allocated to cover costs related to [insert expenditure category], R00.000 million for [insert expenditure category], and etc.

Use of funds in emergency situations

Programme [insert programme number]: [insert programme name]

R00.000 million will be used for [insert what the funds will be used for].

Self-financing expenditure²

Programme [insert programme number]: [insert programme name]

R00.000 million has been realised from [insert source of funds] and will be used for [insert what funds will be used for]. The funds have been surrendered into the National Revenue Fund.

Funds shifted between votes following a transfer of a function

Programme [insert programme number]: [insert programme name]

R00.000 million will be transferred to the Department of [insert department name] for [explain what the funds will be used for]. Or

R00.000 million will be received from the Department of [insert department name] for [explain what the funds will be used for].

Funds shifted within a vote following a function shift within the same vote

Programme [insert programme number]: [insert programme name]

R00.000 million will be received from programme [insert other programme number] following the shift of the [insert name of function, e.g. monitoring, research, IT, etc.] function.

Declared savings

Programme [insert programme number]: [insert programme name]

Savings of R00.000 million due to [insert reason for saving] have been declared.

Gifts, donations and sponsorships³ – [write full amount: R00.000 million]

The department will make a donation of R00.000 million to [insert name of institution] for [insert what donation will be used for].

²Self-financing expenditure is spending financed from revenue derived from a department's specific activities. This revenue is deposited into the National Revenue Fund.

³ In terms of the Treasury Regulations, section 21, amounts exceeding R100 000 must be separately shown in appropriation legislation and voted on by Parliament.

Direct charges against the National Revenue Fund – [write full amount: R00.000 million]

Include amounts for roll-over of funds, unforeseeable and unavoidable expenditure, virements, and all other adjustment as defined above. Follow the same format as explained above.

Expenditure for 2011/12 and preliminary expenditure for 2012/13

[This table will be created from the separately submitted expenditure reporting database. This database will be distributed in September 2012].

Programme	2011/12				2012/13			
	Adjusted appropriation	Expenditure outcome		Preliminary expenditure		Adjusted appropriation	Preliminary expenditure	
Apr 11 - Sep 11		Apr 11 - Sep 11 % of adjusted appropriation	Apr 11 - Mar 12	Apr 11 - Mar 12 % of adjusted appropriation	Apr 12 - Sep 12		Apr 12 - Sep 12 % of adjusted appropriation	
R thousand								
1. Programme name								
2. Programme name								
Subtotal								
Direct charge against the National Revenue Fund								
Item								
Item								
Economic classification								
Current payments								
Economic classification item								
Economic classification item								
Transfers and subsidies								
Economic classification item								
Economic classification item								
Payments for capital assets								
Economic classification item								
Economic classification item								
Payments for financial assets								
Total								

Main expenditure trends for the first half of 2012/13

A paragraph on expenditure trends will be compiled from the information captured in the expenditure database.

Departmental receipts

[This table will be created from the database. This database for receipts will be distributed separately in September 2012].

	2011/12					2012/13			
	Adjusted estimate	Audited outcome				Actual receipts			
		Apr 11 - Sep 11	Apr 11 - Sep 11 % of adjusted estimate	Apr 11 - Mar 12	Apr 11 - Mar 12 % of adjusted estimate	Budget estimate	Adjusted estimate	Apr 12 - Sep 12	Apr 12 - Sep 12 % of adjusted estimate
R thousand									
Departmental receipts									
Economic classification item									
Economic classification item									
Total									

Main departmental revenue trends for the first half of 2012/13

A paragraph on deviations from the information published in the 2012 ENE will be compiled from the information captured in the receipts database.

Changes to transfers and subsidies, including conditional grants [These tables will be created from the database].

Summary of changes to transfers and subsidies per programme

2012/13							
R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments		
Programme name							
Economic sphere							
Current							
Economic classification item							
Programme name							
Economic sphere							
Capital							
Economic classification item							

Summary of changes to conditional grants: Provinces

2012/13							
R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments		
Programme name							
Conditional grant name							

Summary of changes to conditional grants: Local government

2012/13							
R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virements and shifts	Other adjustments		
Programme name							
Conditional grant name							